

ENTERED MAY 25 2017

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 320

In the Matter of

IDAHO POWER COMPANY,

2016 Annual Power Supply Expense
True-Up.

ORDER

DISPOSITION: STIPULATION ADOPTED

I. INTRODUCTION

On February 24, 2017, Idaho Power Company filed this application to “true-up” its net power costs for the calendar year 2016. In its filing, the company also proposed to apply the proceeds from its sale of Renewable Energy Credits (RECs) to a deferral currently in amortization. The net effect of these calculations was reflected in the filing as no change in rates because the amount of the power cost deviation was within the prescribed deadband.

On March 3, 2017, the Oregon Citizens’ Utility Board (CUB) filed its Notice of Intervention. A prehearing conference was held on April 11, 2017, at which the parties agreed to an abbreviated procedural schedule reflecting the likelihood that this matter would settle.

On March 24, 2017, Idaho Power filed supplemental testimony that calculated its net power costs using its 2016 Oregon Results of Operations Report (ROO), which was finalized after the initial February filing. Although the use of the report changed each of the values used to calculate net power costs, the resulting net power cost deviation was still within the deadband so that no change in rates was proposed.

On May 1, 2017, Idaho Power, Commission Staff, and CUB participated in a settlement conference. As a result, on May 12, 2017, the parties filed a stipulation that settles all issues, together with a joint explanatory brief in support of the stipulation. The stipulation is attached to this order as Appendix A.

II. BACKGROUND

In Order No. 08-238¹ we approved Idaho Power’s Power Cost Adjustment Mechanism (PCAM). As part of the PCAM, each February the company files a True-Up that calculates

¹ *In re Idaho Power Company, Application for Authority to Implement a Power Cost Adjustment Mechanism*, Docket No. UE 195 (Apr 28, 2018).

the difference between its actual net power supply expenses (NPSE) in the PCAM year (January through December) and the expenses recovered for that period through the Combined Rate.² Eligible NPSE deviations (as determined by Order No. 08-238) are added to the Annual Power Supply Expense True-Up Balancing Account at the end of each 12 month period ending in December along with 50 percent of the annual interest calculated at the company's authorized cost of capital. To be eligible for inclusion in the True-Up Balancing Account, the NPSE deviation must fall outside the NPSE deadband³ and pass the earnings test described in Order No. 08-038.⁴

In its initial filing, Idaho Power used its most recent Oregon ROO report available at the time of the filing – the ROO for 2015. The NPSE deviation was \$52.34 million on a system-wide basis, or \$2.39 million on an Oregon allocated basis – meaning that the company under-recovered its actual NPSE. The upper NPSE deadband, calculated using the 2015 ROO, was \$2.79 million. This deadband applies when actual NPSE is greater than the NPSE recovered rates. Because the Oregon-allocated NPSE deviation was within the deadband, Idaho Power determined that there should be no change to the True-Up Balancing Account rate.

In that same filing, Idaho Power also discussed the impact of Order No. 11-086, which addressed the appropriate treatment of proceeds from the sale of RECs. Consistent with the company's approach in each true-up since that order, Idaho Power proposed that those proceeds be applied to the deferral currently in amortization.

In its filing on March 24, 2017, Idaho Power calculated the deadband using its 2016 ROO report. The use of the 2016 report resulted in changes to the upper and lower power supply expense deadband values, resulting in an upper deadband of \$3.02 million and a lower deadband of negative \$1.51 million. The use of the 2016 report also changed the Oregon allocated NPSE deviation, resulting in an NPSE deviation of \$2.44 million. Applying the new deadband values to the new deviation did not change the result – the Oregon allocated deviation of \$2.44 million was still less than the upper deadband of \$3.02 million. Thus, after updating the analysis, Idaho Power determined that \$0.00 should be added to the True-Up Balancing Account.

² The "Combined Rate" is determined annually in the company's annual power cost proceeding. The combined rate has two components – an "October Update" and a "March Forecast." The October Update contains the company's forecasted net power supply expense reflected on a normalized and unit basis for an April through March test period. The March Forecast contains the company's net power supply expense based on updated actual forecasted conditions. The rates from the October Update and March Forecast are combined into the Combined Rate, which is effective on June 1 of each year.

³ The NPSE deadband is based on the company's capital structure and rate base, measured on an Oregon basis, from the most recent Oregon ROO report. The Oregon Allocated Power Cost Deviation is compared to the positive and/or negative deadbands. A positive deviation (actual NPSE greater than those recovered through the Combined Rate) constitutes an excess power supply expense. This expense first is reduced by a deadband that is the dollar equivalent of 250 basis points of return on equity (ROE) (Oregon basis). A negative deviation (actual NPSE less than those recovered through the Combined Rate) is a power supply expense savings. This savings is reduced by a deadband that is the dollar equivalent of 125 basis points of ROE (Oregon Basis).

⁴ If the company's earnings are within 100 basis points of its authorized ROE for the previous year ending December 31, then no amounts will be added to the True-Up Balancing Account even if the NPSE deviation falls outside the NPSE deadbands.

III. STIPULATION AND SUPPORTING BRIEF

In their stipulation the parties agree that Idaho Power has correctly calculated the amount of the True-Up for later inclusion in rates as \$0.00. The parties find that the company will not add any NPSE deviation amounts to the True-Up Balancing Account for 2016. The parties also find that the 2016 net proceeds from the sale of RECs should be applied as a credit to the True-Up balancing account consistent with Order No. 11-086.

The parties also memorialize a commitment by Idaho Power to provide workpapers to Staff at the time of its initial Annual Power Supply Expense True-Up filing and its supplemental filing relying on its most recent ROO report. In their supporting brief the parties note the terms of the stipulation and apparently expand Idaho Power's commitment to provide workpapers to include CUB as well as Staff.

The parties state that stipulation is fully supported by Idaho Power's testimony and exhibits that were thoroughly reviewed by Staff and CUB, who concluded that there were no issues that warranted the filing of responsive testimony. They agree that Idaho Power appropriately calculated the amount of the True-Up for later inclusion in rates (\$0.00), resulting in rates that are just and reasonable.

Regarding the application of the REC sale proceeds as a credit to the True-Up Balancing Account, the parties report that the 2016 REC proceeds exceed the balance in that account, so that the amounts that exceed that balance will flow back to customers beginning June 1, 2017, as part of the PCAM. Beginning with the 2017 REC net proceeds, the company anticipates that all previous deferrals will be fully amortized and Idaho Power will apply the proceeds as a credit to the True-Up Balancing Account as part of the PCAM.

IV. RESOLUTION

We adopt the stipulation. We note that mechanisms like the PCAM are in place to protect both the utilities and their customers from volatile energy markets with the potential for significant under and over collection of energy costs. In the current relatively stable energy market conditions we are not surprised to be presented a stipulation that prescribes no rate change. We appreciate the effort by all parties that goes into confirming that result through diligent review and analysis.

V. ORDER

IT IS ORDERED that the stipulation between Idaho Power Company, the Staff of the Public Utility Commission of Oregon, and the Oregon Citizens' Utility Board, attached as Appendix A is adopted.


Made, entered, and effective MAY 25 2017.



Lisa D. Hardie
Chair



Stephen M. Bloom
Commissioner



Megan W. Decker
Commissioner

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UE 320

In The Matter of

IDAHO POWER COMPANY

2016 Annual Power Supply Expense True-Up.

STIPULATION

This Stipulation resolves all issues between the parties related to Idaho Power Company's ("Idaho Power" or "Company") 2016 Annual Power Supply Expense True-Up ("True-Up") filed pursuant to Order No. 08-238,¹ as amended by Order No. 09-373.² This True-Up implements the Company's Power Cost Adjustment Mechanism ("PCAM") by calculating the deviation between actual net power supply expenses ("NPSE") and those expenses recovered through the Combined Rate.

PARTIES

1. The parties to this Stipulation are Staff of the Public Utility Commission of Oregon ("Staff"), the Oregon Citizens' Utility Board ("CUB"), and Idaho Power (together, the "Stipulating Parties"). No other party intervened in this docket.

BACKGROUND

2. As part of the PCAM approved by the Public Utility Commission of Oregon ("Commission"), each February, Idaho Power must file a True-Up that calculates the difference between the actual NPSE incurred by the Company in the relevant PCAM year (January through

¹ *Re Idaho Power Company's Application for Authority to Implement a Power Cost Adjustment Mechanism*, Docket No. UE 195, Order No. 08-238 (Apr. 28, 2008).

² *Re Idaho Power Company's Application for Authority to Implement a Power Cost Adjustment Mechanism*, Docket No. UE 195, Order No. 09-373 (Sept. 18, 2009).

1 December) and the expenses recovered for that period through the Combined Rate.³ NPSE
2 deviations that are eligible, as determined by the terms of Order No. 08-238, are added to the
3 Annual Power Supply Expense True-Up Balancing Account ("True-Up Balancing Account") at
4 the end of each 12 month period ending in December, along with 50 percent of the annual
5 interest calculated at the Company's authorized cost of capital.⁴ To be eligible for inclusion in
6 the True-Up Balancing Account, the NPSE deviation must fall outside the NPSE deadband⁵ and
7 pass the earnings test described in Order No. 08-238.⁶

8 3. On February 24, 2017, Idaho Power filed its True-Up reflecting the NPSE deviation
9 for calendar year 2016. The Company's initial filing used the most recent Oregon Results of
10 Operations ("ROO") report available at the time of the filing—the ROO for 2015. The NPSE
11 deviation was \$52.34 million on a system-wide basis, or \$2.39 million (there were no SO₂
12 Allowance sales in calendar year 2016) on an Oregon allocated basis—meaning that the
13 Company under-recovered its actual NPSE.⁷ The NPSE deadbands, calculated using the 2015
14 ROO, were \$2.79 million (upper) and negative \$1.39 million (lower).⁸ The Oregon-allocated
15 NPSE deviation was within the NPSE deadbands calculated using the 2015 ROO, i.e., the
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18 ³ Order No. 08-238 at 2-3.

19 ⁴ *Id.*

20 ⁵ *Id.* The NPSE deadband is based upon the Company's capital structure and the rate base, measured
21 on an Oregon basis, from the most recent Oregon ROO report. The Oregon Allocated Power Cost
22 Deviation is compared to the positive and/or negative deadbands. A positive deviation (actual NPSE
23 greater than those recovered through the Combined Rate) constitutes an excess power supply expense.
This expense is first reduced by a deadband that is the dollar equivalent of 250 basis points of ROE
(Oregon basis). A negative deviation (actual NPSE less than those recovered through the Combined
Rate) is a power supply expense savings. This savings is reduced by a deadband that is the dollar
equivalent of 125 basis points of ROE (Oregon basis).

24 ⁶ *Id.* If the Company's earnings are within 100 basis points of its authorized ROE for the previous year
25 ending December 31, then no amounts will be added to the True-Up Balancing Account even if the NPSE
26 deviation falls outside the NPSE deadbands.

⁷ Idaho Power/100, Waites/4-5, 7.

⁸ Idaho Power/100, Waites/6.

1 actual NPSE deviation of \$2.39 million was less than the upper deadband of \$2.79 million.⁹
2 Therefore, the Company's initial filing determined that \$0.00 should be added to the True-Up
3 Balancing Account.¹⁰

4 4. This initial filing also discussed the impact of Order No. 11-086, which addressed
5 the appropriate treatment of proceeds from the sale of Renewable Energy Credits ("REC").¹¹
6 Consistent with the Company's approach in each True-Up since Order No. 11-086, Idaho Power
7 proposed that these proceeds are applied to the deferral currently in amortization.

8 5. On March 3, 2017, CUB filed its Notice of Intervention. On April 11, 2017,
9 Administrative Law Judge Patrick Power held a prehearing conference at which the parties to
10 this docket agreed upon a limited procedural schedule, based on the likelihood that the parties
11 would settle this matter.¹²

12 6. As required by Order No. 09-373, on March 24, 2017, the Company filed
13 supplemental testimony that calculated the NPSE deadband using the Company's 2016 ROO
14 report, which was finalized after the initial February filing. The use of the 2016 ROO resulted in
15 changes to the upper and lower power supply expense deadband values. The upper deadband
16 changed to \$3.02 million and the lower deadband changed to negative \$1.51 million.¹³ The use
17 of the 2016 ROO also changed the Oregon allocation percentage used to calculate Oregon's
18 share of the NPSE deviation, which resulted in an NPSE deviation of \$2.44 million (there were
19 no SO₂ Allowance sales in calendar year 2016).¹⁴ However, these changes did not affect the
20 amount proposed to be included in the True-Up Balancing Account because the Oregon-

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22 ⁹ *Id.*

23 ¹⁰ Idaho Power/100, Waites/6-7.

24 ¹¹ Idaho Power/100, Waites/7; *Re Application of Idaho Power Company to Sell RECs*, Docket UP 269,
Order No. 11-086 (Mar. 15, 2011).

25 ¹² See Prehearing Conference Memorandum (Apr. 11, 2017).

26 ¹³ Idaho Power/200, Waites/2.

¹⁴ Idaho Power/200, Waites/2.

1 allocated NPSE deviation was still within the NPSE deadbands calculated using the 2016
2 ROO.¹⁶ Thus, after updating the analysis using the 2016 ROO the Company determined that
3 \$0.00 should be added to the True-Up Balancing Account.

4 7. Pursuant to the agreed upon schedule Staff, CUB, and the Company participated
5 in a settlement conference on May 1, 2017. As a result of the settlement discussions, the
6 Stipulating Parties have agreed as follows:

7 AGREEMENT

8 8. The Stipulating Parties agree that the Company has correctly calculated the
9 amount of the True-Up for later inclusion in rates as \$0.00 and that this calculation complies
10 with the terms of Order Nos. 08-238 and 09-373. Thus, the Stipulating Parties agree that the
11 Company will not add any NPSE deviation amounts to the True-Up Balancing Account for 2016.

12 9. The Stipulating Parties agree that the 2016 net proceeds from the sale of RECs
13 should be applied as a credit to the True-Up Balancing Account,¹⁶ consistent with Order No. 11-
14 086.¹⁷

15 10. Idaho Power agrees to provide workpapers to Staff at the time of its initial Annual
16 Power Supply Expense True-Up filing and its supplemental filing relying on the most recent
17 ROO report.

18 11. The Stipulating Parties agree to submit this Stipulation to the Commission and
19 request that the Commission approve the Stipulation as presented. The Stipulating Parties
20 agree that the rates resulting from the Stipulation are fair, just, and reasonable.

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22 _____
23 ¹⁶ Idaho Power/200, Waites/2.

24 ¹⁶ The balance in the account resulted from the 2008 PCAM.

25 ¹⁷ Order No. 11-086 at 2 ("Idaho Power will record all net proceeds from the sale of RECs in a
26 regulatory liability account to accrue interest at the Company's authorized cost of capital. Net REC
proceeds shall be applied as a credit to the Annual Power Supply Expense True-up Balancing Account
as part of the Power Cost Adjustment Mechanism (PCAM) after all variances (including deadbands and
earnings review), less 10 percent of proceeds which may be retained by the Company.").

1 12. This Stipulation will be offered into the record of this proceeding as evidence
2 pursuant to OAR 860-001-0350(7). The Stipulating Parties agree to support this Stipulation
3 throughout this proceeding and any appeal, (if necessary) provide witnesses to sponsor this
4 Stipulation at the hearing, and recommend that the Commission issue an order adopting the
5 settlements contained herein.

6 13. If this Stipulation is challenged by any other party to this proceeding, the Stipulating
7 Parties agree that they will continue to support the Commission's adoption of the terms of this
8 Stipulation. The Stipulating Parties agree to cooperate in cross-examination and put on such a
9 case as they deem appropriate to respond fully to the issues presented, which may include
10 raising issues that are incorporated in the settlements embodied in this Stipulation.

11 14. The Stipulating Parties have negotiated this Stipulation as an integrated document.
12 If the Commission rejects all or any material part of this Stipulation, or adds any material
13 condition to any final order that is not consistent with this Stipulation, each Stipulating Party
14 reserves its right, pursuant to OAR 860-001-0350(9), to present evidence and argument on the
15 record in support of the Stipulation or to withdraw from the Stipulation. Stipulating Parties shall
16 be entitled to seek rehearing or reconsideration pursuant to OAR 860-001-0720 in any manner
17 that is consistent with the agreement embodied in this Stipulation.

18 15. By entering into this Stipulation, no Stipulating Party shall be deemed to have
19 approved, admitted, or consented to the facts, principles, methods, or theories employed by any
20 other Stipulating Party in arriving at the terms of this Stipulation, other than those specifically
21 identified in the body of this Stipulation. No Stipulating Party shall be deemed to have agreed
22 that any provision of this Stipulation is appropriate for resolving issues in any other proceeding,
23 except as specifically identified in this Stipulation.

24 16. This Stipulation may be executed in counterparts and each signed counterpart
25 shall constitute an original document.

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1 This Stipulation is entered into by each Stipulating Party on the date entered below such
2 Stipulating Party's signature.

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STAFF

OREGON CITIZENS' UTILITY BOARD

By: Mike [Signature]

By: _____

Date: 5/12/17

Date: _____

IDAHO POWER

By: _____

Date: _____

1 This Stipulation is entered into by each Stipulating Party on the date entered below such
2 Stipulating Party's signature.

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STAFF

OREGON CITIZENS' UTILITY BOARD

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By: _____

By: E. J. [Signature]

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Date: _____

Date: 5-11-2017

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IDAHO POWER

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By: _____

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Date: _____

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STAFF

OREGON CITIZENS' UTILITY BOARD

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